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Required Report - public distribution

Date: 7/31/2017

GAIN Report Number:

South Africa - Republic of

Grain and Feed Update

The supply and demand for corn in South Africa

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Report Highlights:
South Africa should return to being a net exporter of corn in the 2017/18 MY and 2016/17 MY on higher production after South Africa had to import 2.2 million tons of corn in the 2015/16 MY, due to an extreme drought. South Africa's commercial corn crop is estimated at a historically high level of 16.0 million tons in the 2016/17 MY, an increase of 105 percent from the 2015/16 MY drought-reduced commercial corn crop of 7.8 million tons. Post estimates South Africa will export about 2.5 million tons and 2.0 million tons of corn, respectively, in the 2016/17 MY and 2017/18 MY.

Post:
Pretoria

Executive Summary

Expected lower local corn price levels will put downward pressure on the area to be planted with corn later in 2017, for the 2017/18 MY[1], especially for the white corn area, as a record white corn crop is recorded for the 2016/17 MY. Hence, post forecasts that around 2.4 million commercial hectares of corn will be planted later in 2017, which is nine percent less than the area planted in the 2016/17 MY. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's corn crop for the 2017/18 MY could reach 12.0 million tons which is 28 percent less than the corn crop in the 2016/17 MY, but 46 percent higher than the 2015/16 MY corn crop of 8.2 million tons. Post estimates that South Africa will export about 2.0 million tons of corn in the 2017/18 MY, on sufficient production and a relatively large carry-over stock from the 2016/17 MY.

South Africa's total corn crop (including the commercial and subsistence farming sectors) for the 2016/17 MY is estimated at a record 16.7 million tons on 3.0 million hectares, which is more than double the 2015/16 MY's drought-reduced corn crop of 8.2 million tons. As a result, South Africa returned to being a net exporter of corn in the 2016/17 MY after South Africa had to import 2.2 million tons of corn in the 2015/16 MY, due to an extreme drought. Post estimates South Africa will export about 2.5 million tons of corn in the 2016/17 MY. A weak global market for white corn limits South Africa's export opportunities, which will leave a relatively large carry-over stock for the next marketing year.

US$1 = Rand 13.00 (7/27/17)

[1] The marketing years (MY) used in the text refers to the USDA marketing years in the PS&D table, and do not necessarily correspond with the marketing years used by the South African grain industry.

CORN

Production

Expected lower local corn price levels will put downward pressure on the area to be planted with corn later in 2017, for the 2017/18 MY, especially for the white corn area, as a record white corn crop is recorded for the 2016/17 MY. Hence, post forecasts a 15 percent drop in area planted with white corn by commercial producers to 1.4 million hectares in the 2017/18 MY. The expected commercial yellow corn area planted should be at average levels of about 1.0 million hectares. As a result, post forecasts that around 2.4 million commercial hectares of corn will be planted later in 2017, which is nine percent less than the area planted in the 2016/17 MY. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's corn crop for the 2017/18 MY could reach 12.0 million tons, which is 28 percent less than the expected corn crop of 16.7 million tons in the 2016/17 MY (also refer to Table 1).

The Crop Estimate Committee (CEC) released its sixth production estimate for the 2016/17 MY summer crops on July 26, 2017. The CEC estimates the South African commercial corn crop at a historically high level of 16.0 million tons on 2.6 million hectares. This represents an increase of 105 percent from the 2015/16 MY's commercial corn crop of 7.8 million tons. A record high commercial white corn crop of 9.5 million tons is expected, almost three times more than in the previous marketing year. The commercial yellow corn crop is estimated at 6.5 million tons, 48 percent higher than the previous season.

The good rainfall between October and December of last year in many of the areas of South Africa, that were affected by the severe drought the previous season, was followed-up by even better rainfall in February. Many corn producing areas in South Africa recorded far above average rainfall in February. As a result, the corn crop across South Africa was in very good condition. Although the fall army worm was detected in South Africa, the impact on production was limited as more than 85 percent of the South African corn crop was planted with genetically engineered seed, which protected the crop against the fall army worm. In addition, many commercial pesticides, to control fall army worm, have been legally registered since the first detection and were available for producers to control the pest.

The CEC also released the production estimates for the subsistence farming sector's corn crop. According to the CEC subsistence farmers planted 366,650 hectares of corn in the 2016/17 MY, 38 percent more than the 266,130 hectares planted in the previous marketing year. Corn production by the subsistence sector is estimated at 731,000 tons, 68 percent higher than the 435,740 tons produced in the 2015/16 MY. This means South Africa's total corn crop for the 2016/17 MY is estimated at a record 16.7 million tons on 3.0 million hectares, which is more than double the 2015/16 MY's drought-reduced corn crop of 8.2 million tons.

The following table details area planted and production figures for commercial white corn and yellow corn as well as corn produced by subsistence farmers for the 2015/16 MY (actual), 2016/17 MY (estimate), and 2017/18 MY (forecast).

Table 1: Area planted and production of commercial and subsistence corn in South Africa

	Area 1,000ha	Yield t/ha	Prod. 1,000 t	Area 1,000ha	Yield t/ha	Prod. 1,000 t	Area 1,000ha	Yield t/ha	Prod. 1,000 t
MY	**2015/16**			**2016/17**			**2017/18**		
Commercial corn									
White	1,015	3.4	3,409	1,643	5.8	9,507	1,400	4.2	5,950
Yellow	932	4.7	4,370	986	6.6	6,462	1,000	5.3	5,350
Sub Total	**1,947**	**4.0**	**7,779**	**2,629**	**6.1**	**15,969**	**2,400**	**4.6**	**11,300**
Subsistence corn									
White	191	1.5	286	249	1.9	464	300	1.6	500
Yellow	75	2.0	150	118	2.3	267	100	2.0	200
Sub Total	**266**	**1.6**	**436**	**367**	**2.0**	**731**	**400**	**1.7**	**700**
TOTAL	**2,213**	**3.7**	**8,215**	**2,996**	**5.6**	**16,700**	**2,800**	**4.2**	**12,000**

Source: CEC

Figure 1 indicates the percentage contribution of each province in South Africa to the national commercial corn crop. More than 80 percent of corn production in South Africa is situated in three provinces, namely the Free State, Mpumalanga and the North West. However, farmers in the Free State (especially in the western side of the province) and North West provinces plant more white corn and almost 80 percent of the total commercial white corn crop originates from these two provinces. Mpumalanga is the major yellow corn production region in South Africa with 35 percent of the national yellow corn crop harvested from this province. Approximately 64 percent of the subsistence corn crop is planted in the Eastern Cape.

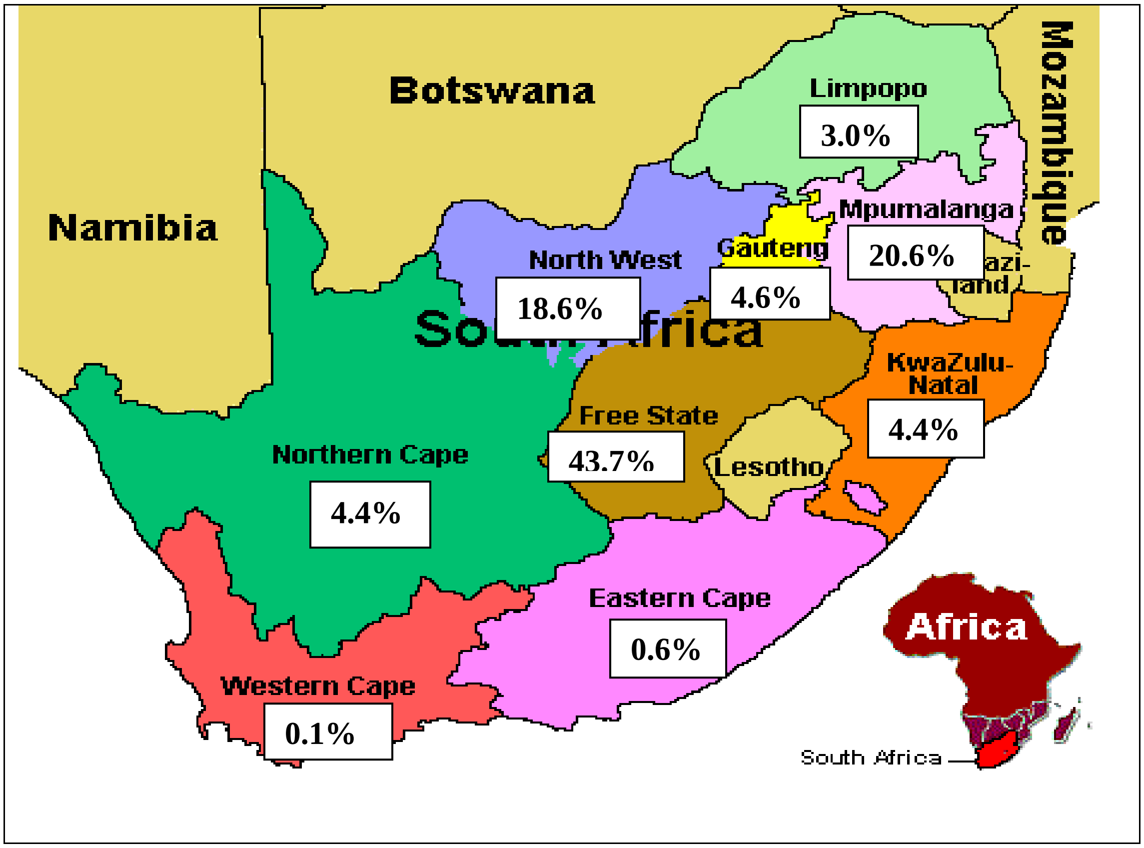

Figure 2: Map of South Africa indicating the percentage contribution of each province to the national commercial corn crop

Consumption

The commercial demand for corn for food increased on average two percent per year the past 20 years, while the commercial demand for feed corn increased on average three percent per year. Post projects that this marginal increases in demand for corn will continue in the 2017/18 MY. South Africa's economic growth is expected to continue to be sluggish in the next few years, due to structural and policy constraints, which will limit the increase in the demand for animal protein and hence animal feed. As a result, the demand for corn feed is expected to increase marginally to 5.3 million tons. The human demand for corn, the staple food for many South Africans, especially for the lower to middle income group, is expected to grow in correlation with population growth to 5.1 million tons. The per capita consumption of corn has stagnated at around 90kg per annum for the past 10 years. Thus, total commercial demand for corn is estimated to reach about 10.7 million tons in the 2017/18 MY (also refer to Table 2).

With higher rainfall leading to increased production and thus relatively lower corn prices, post forecasts a four percent increase in the commercial demand for corn in the 2016/17 MY to 10.5 million tons. Post expects that South Africa will use about 5.0 million tons of corn for human consumption and 5.2 million tons of corn for animal feed. Post also estimates that white corn usage for animal feed will increase to about 1.3 million tons as more yellow corn will flow to the export markets.

Post finalized the commercial demand figures for corn in the 2015/16 MY, after new information was published by the South African Grain Information Services (Sagis). The commercial demand for corn for animal feed dropped by nine percent to 5.0 million tons in the 2015/16 MY, from the 5.5 million tons of corn consumed in the 2014/15 MY. The major reasons for the drop were the higher drought-induced corn prices and South Africa's sluggish economic growth which depressed demand. On the other hand, the human demand for corn increased by two percent to 4.8 million tons, illustrating that corn as a staple food is relatively price inelastic. This means that the total commercial demand for corn dropped by four percent to 10.1 million tons in the 2015/16 MY, from the 10.5 million tons of corn consumed in the 2014/15 MY.

Table 2 outlines the commercial consumption for white corn and yellow corn in South Africa for the 2015/16 MY (actual), 2016/17 MY (estimate) and 2017/18 MY (forecast).

Table 2: The commercial consumption of white and yellow corn in South Africa

CORN 1,000 Mt	**White**	**Yellow**	**Total**	**White**	**Yellow**	**Total**	**White**	**Yellow**	**Total**
MY	**2015/16**			**2016/17**			**2017/18**		
Human	4,233	577	4,810	4,450	500	4,950	4,550	500	5,050
Animal	86	4,918	5,004	1,300	3,900	5,200	500	4,800	5,300
Other	33	245	278	100	200	300	100	200	300
TOTAL	**4,352**	**5,740**	**10,092**	**5,850**	**4,600**	**10,450**	**5,150**	**5,500**	**10,650**

Source: SAGIS; Grain SA

Note: *Please note that consumption figures in the PS&D table also include corn utilized by the subsistence farming sector and commercial on-farm usages.*

Trade

Post estimates that South Africa will export about 2.0 million tons of corn in the 2017/18 MY, leveraging on a relatively large carry-over stock from the 2016/17 MY and sufficient production.

South Africa returned to being a net exporter of corn in the 2016/17 MY on record high production. In the first three months of the marketing year, South Africa already exported 703,827 tons of corn, which included 291,448 tons of white corn and 412,379 tons of yellow corn (see also Table 3). White corn was mainly exported to Kenya (177,814 tons), as many parts of Kenya are in the midst of a drought. The major markets for South Africa's yellow corn were Taiwan (213,926 tons), South Korea (107,241 tons) and Japan (50,306 tons). South Africa is also exploring other deep sea export markets in the east and middle-east such as Malaysia, Philippines, Vietnam, Saudi-Arabia and Iran. However, post estimates South Africa will only export about 2.5 million tons of corn in the 2016/17 MY. A weak global market for white corn and an oversupply regional market after a favorable agricultural season, limits South Africa's export opportunities, which will leave a relatively large carry-over stock for the next marketing year. Corn imports should be zero in the 2016/17 MY.

For the 2015/16 MY, South Africa imported 2.2 million tons of corn (644,144 tons of white corn and 1.6 million tons of yellow corn) to supplement local production that was below demand due to the drought (see also Table 3). Argentina (989,783 tons of yellow corn), Mexico (499,596 tons of white corn), Ukraine (371,559 tons of yellow corn) and the United States (144,548 tons of white corn and 100,413 tons of yellow corn) were the major sources for South Africa corn imports.

South Africa continued to export corn to its neighboring countries in the 2015/16 MY, despite the lower production. South Africa's total corn exports for the 2015/16 MY reached 837,190 tons of which 546,381 tons were white corn and 290,809 tons yellow corn.

Table 3: Export and import countries for white and yellow corn (1,000 tons)

	2015/16 MY May 1, 2016 – Apr 30, 2017			2016/17 MY[1] May 1, 2017 – Apr 30, 2018		
	White corn	**Yellow corn**	**Total**	**White corn**	**Yellow corn**	**Total**
Export Destinations						
Angola	0	0	0	0	1	1
Botswana	135	70	205	52	8	60
North Korea	0	6	6	0	1	1
Kenya	16	0	16	178	0	178
Lesotho	84	13	97	25	2	27
Japan	0	0	0	0	50	50
Malawi	3	0	3	0	0	0
Mozambique	42	27	69	8	4	12
Namibia	81	15	96	12	7	19
South Korea	0	0	0	0	107	107
Swaziland	54	70	124	11	17	28
Taiwan	0	0	0	0	214	214
Tanzania	10	0	10	0	0	0
Zimbabwe	121	90	211	6	1	7
TOTAL EXPORTS	**546**	**291**	**837**	**292**	**412**	**704**
Imports						
Argentina	0	990	990	0	0	0
Brazil	0	94	94	0	0	0
Mexico	500	0	500	0	0	0
Romania	0	36	36	0	0	0
Ukraine	0	372	372	0	0	0
United States	145	100	245	0	0	0
TOTAL IMPORTS	**645**	**1,592**	**2,237**	**0**	**0**	**0**

Source: SAGIS
Note: *1. Preliminary export and import data from May 1, 2017 to July 21, 2017*

Prices

Local corn prices started to move downwards, away from import parity levels, in mid-December 2016 and accelerated to export parity levels in mid-February after the realization that a bumper crop in South

Africa is a reality. Since mid-February, the corn prices have moved relatively sideways in coherence with export parity prices (see also Figures 2 and Figure 3). On July 18, yellow corn prices were trading at R1,968 per ton (US$151/ton) and white corn prices at R1,844 per ton (US$142/ton) (see also Table 4). Year-on-year local yellow corn and white corn prices are, respectively, 42 percent and 58 percent lower, indicating the impact of the current bumper crop on local corn prices. With the expected over supply of corn in the local market, especially white corn, corn prices are likely to trade at export parity levels for the rest of the 2016/17 MY.

Table 4: Local prices for corn

	Futures prices as of 07/18/2017				
Commodity	**2017/07**	**2017/09**	**2017/12**	**2018/03**	**2018/05**
White corn	R1,844/t ($142/t)	R1,883/t ($145/t)	R1,957/t ($151/t)	R2,000/t ($154/t)	R2,039/t ($157/t)
Yellow corn	R1,968/t ($151/t)	R2,004/t ($154/t)	R2,080/t ($160/t)	R2,126/t ($164/t)	R2,131/t ($164/t)

Source: Sagis

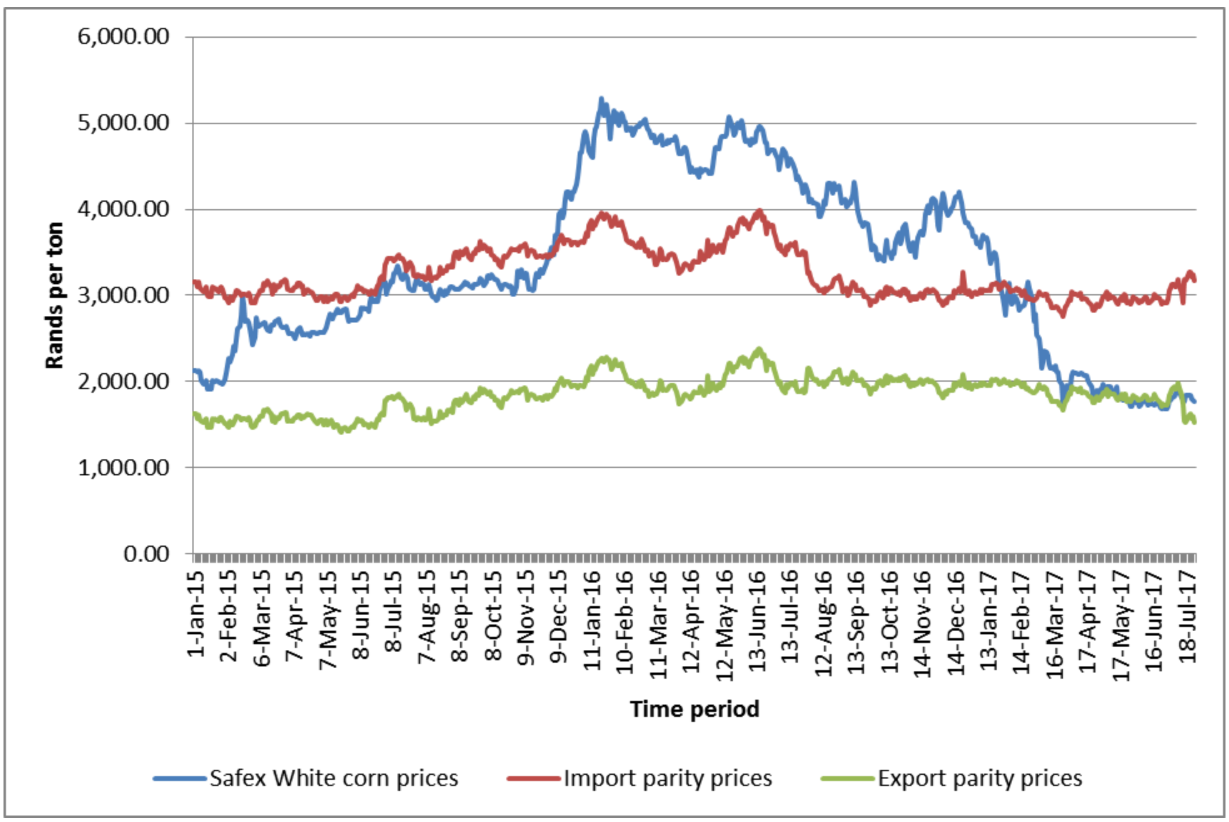

Figure 2: The trend in white corn prices in South Africa since January 2015

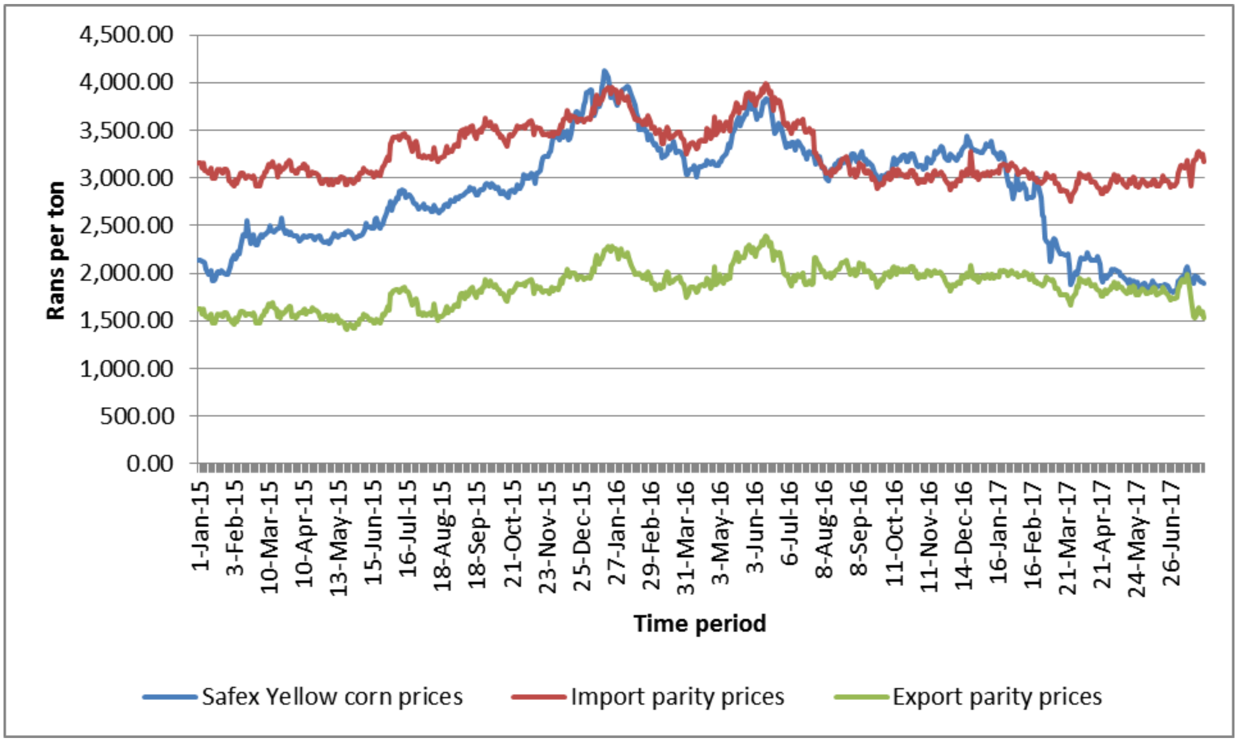

Figure 3: The trend in yellow corn prices in South Africa since January 2015

Table 5: The production, supply and demand for corn in South Africa

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	May 2016		May 2017		May 2018	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2213	2213	3000	2996	2900	2800
Beginning Stocks	2448	2448	1096	1093	2946	3613
Production	8214	8215	16400	16700	12500	12000
MY Imports	2241	2237	50	0	100	0
TY Imports	2579	2579	1300	1300	100	0
TY Imp. from U.S.	110	110	0	0	0	0
Total Supply	12903	12900	17546	17793	15546	15613
MY Exports	837	837	2200	2500	1700	2000
TY Exports	759	759	2000	2000	1700	2000
Feed and Residual	5700	5700	6400	6080	5800	6100
FSI Consumption	5270	5270	6000	5600	5900	5750
Total Consumption	10970	10970	12400	11680	11700	11850
Ending Stocks	1096	1093	2946	3613	2146	1763
Total Distribution	12903	12900	17546	17793	15546	15613
Yield	3.7117	3.7122	5.4667	5.5741	4.3103	4.2857
(1000 HA) ,(1000 MT) ,(MT/HA)						